LPCANSWERED

ERRATA AND CLARIFICATION SHEET

2023-24

This chapter is provided to clarify or highlight errors and inconsistencies in our LPC materials. It is **not** a rolling update of changes in the law between the edition date (as specified in the front of each guide) and the current date. It does not constitute legal advice. No warranties as to its contents are provided.

LPC CORE GUIDE

TAX CHAPTER

NON-SAVINGS INCOME (INCOME TAX CHAPTER)

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The following table has been rewritten for additional clarification.

For **non-savings income (NSI)**, the tax bands are as follows:

BASIC RATE BAND	**20%**	For the first **£37,700** of taxable income.
HIGHER RATE BAND	**40%**	For taxable income between **£37,701 and £125,140.**
ADDITIONAL RATE BAND	**45%**	For taxable income over **£125,140.**

WORKED EXAMPLE – TAXABLE INCOME (INCOME TAX CHAPTER)

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The table should read as follows (changes highlighted in green)

	NSI	SI	DI	TOTAL
	£	**£**	**£**	**£**
Employment Income (£55,500 + £7,500)	63,000	-	-	63,000
Property Income	10,000	-	-	10,000
Bank Interest	-	25,000	-	25,000
Dividends	-	-	20,000	20,000
Net Income	73,000	25,000	20,000	118,000
Less: Personal Allowance (W1)	(3,570)	-	-	(3,570)
Taxable Income	**69,430**	**25,000**	**20,000**	**114,430**

ANNUAL INVESTMENT ALLOWANCE (CORPORATION TAX CHAPTER)

CAPITAL ALLOWANCES

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This section has been rewritten for clarity and to address an error in the AIA amount.

The Annual Investment Allowance ("**AIA**") is £1,000,000 (**NOTE**: between 1st January 2016 and 31st December 2018 the AIA was £200,000 per annum). This means that taxable profits can be reduced by up to £1m for any qualifying expenditure.

To calculate capital allowances, a "*main pool*" tax written down value ("**TWDV b/f**") figure is brought forward, which is the total value of capital purchases less capital allowances to date:

- Each year, all additions increase the total of the pool and disposals decrease the value of this pool. Any additions which are Plant & Machinery qualify for the AIA, which means that they (up to a maximum of the relevant AIA) can then be deducted from this pool's total value.
- Once all additions deductions have been made for the year, the main pool can be further reduced by 18% (the main pool writing down allowance).
- Both the AIA and main pool writing down allowance can be deducted from the trading income for the year.
- The main pool total is then carried forward to the next year ("**TWDV c/f**") and the process is repeated. This means that the amount that can be taken off each year keeps diminishing if no new assets are bought.

NOTE: as stated above, the £1,000,000 limit applies for qualifying expenditure <u>on or prior to 1st January 2019</u>. Transition rules apply where a business has a chargeable period that spans the operative dates of the increase. You need to apportion the AIA entitlement between the two applicable rates for the appropriate period of the year.

For example, if a purchase was made on 1st October 2018, the AIA available would be £800,000:

- For the 3 months October to December 2018 (inclusive) = (3m / 12m) x £200,000 = £50,000.
- For the 9 months January to September 2019 (inclusive) = (9m / 12m) x £1,000,000 = £750,000.
- The total AIA available would therefore be £50,000 + £750,000 = £800,000.

EXAM TIP: It is highly unlikely that you will be tested on the change in value of AIA in your LPC exams. Whilst you should be aware that the AIA has been different in the past, we recommend that your focus is on understanding how the £1m allowance is applied.